APL FUNDING SPV PLC

Up to ₦8.5 Billion 10-Year Senior Guaranteed Fixed Rate Bond Due 2034 under the ₦50 Billion Bond Issuance Programme

Indicative 2024 Bond Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

APL FUNDING SPV PLC

Up to ₦8.5 Billion 10-Year Senior Guaranteed Fixed Rate Bond Due 2034 under the ₦50 Billion Bond Issuance Programme

Issue Rating:

Aaa*

Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner.

Outlook: Stable
Issue Date: 26 August 2024
Expiry Date: 26 August 2025

**This Issue rating is indicative and a final rating will be based on receipt of all duly executed contractual agreements. The final rating will be subject to annual monitoring and review.*

Sponsor's (APL) Rating: Bbb-
Expiry Date: 30 June 2025

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RATING RATIONALE

Agusto & Co. assigns an indicative **"Aaa"** rating to APL Funding SPV Plc's ("APL Funding SPV" or "the Issuer") up to ₦8.5 Billion 10-Year Guaranteed Fixed Rate Bond Due 2034 ("Series 1 Bond", "the Bond" or "the Issue") under its ₦50 Billion Bond Issuance Programme. This rating reflects the strength of the unconditional and irrevocable guarantee provided by Infrastructure Credit Guarantee Company Limited ("InfraCredit" or "the Guarantor"), which will ensure the timely payment of the Series 1 Bond obligations (coupon and principal). In August 2024, Agusto & Co. affirmed the **"Aaa"** rating assigned to InfraCredit, underscoring the Guarantor's strong financial position and its robust capacity to meet its obligations as they fall due.

Infrastructure Credit Guarantee Company Limited ("InfraCredit" or "the Guarantor") was established on 20 October 2016, and began operations in January 2017, with the aim of providing credit guarantees for debt instruments used to finance eligible infrastructure projects in Nigeria. InfraCredit enhances the credit quality of these instruments, thereby attracting long-term investments from reputable institutional investors, and addressing Nigeria's significant infrastructure financing gap. The Guarantor supports projects across various industries, including power, agriculture, transportation and other critical sectors. Infracredit is owned by Nigeria Sovereign Investment Authority (NSIA), Africa Finance Corporation (AFC), InfraCo Africa Investment Limited (InfraCo Africa), Leadway Assurance Company Limited (Leadway Assurance) and AIICO insurance Plc.

APL Funding SPV Plc was incorporated on 30 July 2024, as a special purpose vehicle sponsored by Asiko Power Limited ("the Sponsor"). Its primary mandate is to raise capital for the Sponsor through the issuance of bonds, debentures or other securities. APL Funding SPV does not engage in any business operations of its own and has no subsidiaries or affiliates.

Asiko Power Limited ("APL" or "the Sponsor") specializes in the wholesale and retail distribution of liquefied petroleum gas (Propane). The Sponsor has a gas storage capacity of 970 metric tons (MT) and operates nine distribution depots. These depots, complemented by a mobile fleet with a total capacity of 2,033 MT, facilitate efficient

TRANSACTION PARTIES

Issuer:
APL Funding SPV Plc

Sponsor:
Asiko Power Limited

Co-Obligors:
Asiko Power Limited
Gas Terminalling and Distribution Limited
Gas Terminalling Storage Company Limited
Gas Terminalling Global Operations Limited

Lead Issuing House:
Stanbic IBTC Capital Limited

Joint Issuing Houses:
FCMB Capital Markets Limited
Vetiva Advisory Services Limited

Guarantor:
Infrastructure Credit Guarantee Company Limited

Bond Trustee:
FBNQuest Trustees Limited

Solicitors to the Issuer:
Udo Udoma & Belo-Osagie

Solicitors to the Transaction:
Banwo & Ighodalo

Reporting Accountant:
KPMG

Auditor:
Crowe Dafinone

Registrar:
First Registrars & Investor Services Limited

Receiving Bank:
Stanbic IBTC Bank Plc

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gas distribution nationwide. In addition to its propane operations, APL is also involved in the application of gas to generate power, cooling and heating for households, commercial and industrial users. The Sponsor is part of Asiko Energy Holdings Limited ("the Group"), which is focused on providing clean energy and renewable solutions.

APL Funding SPV Plc intends to issue up to ₦8.5 billion 10-Year Senior Guaranteed Fixed Rate Bond Due 2034. The Bond will attract a fixed coupon rate payable semi-annually over ten years, while the Bond principal will be amortized through equal biannual instalments over its tenor, upon expiration of a twenty-four months moratorium. The net proceeds from this Issue will be used to refinance a bridge loan obtained from Stanbic IBTC Infrastructure Fund by Gas Terminalling Storage Company Limited (GTSL), one of the Co-Obligors, to part-finance the construction of a liquefied petroleum gas and liquefied natural gas (LNG) terminal, which are critical infrastructure intended to expand the gas footprint of the Group.

The Series 1 Bond is APL Funding SPV's first issue, with Asiko Power Limited (APL), Gas Terminalliing and Distribution Limited (GTDL), Gas Terminalling Storage Company Limited (GTSL) and Gas Terminalling Global Operations Limited (GTGOL) as Co-Obligors. Although proceeds from this issue will be fully utilized by GTSL, the Co-Obligors have each pledged cash flows from their LPG and LNG sales, as well as other operating income, towards the fulfilment of the Bond obligations. If for any reason the Co-Obligors are unable to meet the Bond obligations, we are confident that the Guarantor possesses the necessary capacity to intervene and fulfill the Bond obligations as they become due.

Based on the irrevocable and unconditional guarantee provided by InfraCredit, we hereby attach a **stable** outlook to APL Funding SPV Plc's up to ₦8.5 Billion 10-Year Senior Guaranteed Fixed Rate Bond Due 2034. Should there be a change in the rating of the Guarantor at any time throughout the tenor of the Series 1 Bond, our rating and outlook for the Issue will be revised accordingly.

***This bond rating report should be read in conjunction with the 2024 corporate rating report of* Infrastructure Credit Guarantee Company Limited ("the Guarantor")**

Figure 1: Strengths, Weaknesses, Opportunities & Challenges

Strengths

- Irrevocable and unconditional guarantee of InfraCredit
- Strong financial condition of the Guarantor
- Increasing investments in critical gas infrastructure projects, with potential to strengthen the Co-Obligors' market position

Weaknesses

- Rising debt burden of the Co-Obligors
- Concentrated ownership structure of the Co-Obligors

Opportunities

- Government policies promoting the development of the Nigerian gas market
- Increasing urbanization potentially expanding the demand base for LPG and LNG
- Opportunities for autogas in the transportation sector given rising cost of petroleum motor spirit (PMS)
- Expansion opportunities in the broader African market leveraging the African Continental Free Trade Agreement (ACFTA)
- Huge untapped gas reserves in Nigeria

Challenges

- Insecurity in the Niger Delta region, crude oil theft and host community disturbances that have continued to adversely affect domestic gas production and distribution
- Weakening consumer purchasing power
- Infrastructure deficit
- Earnings susceptibility to adverse movement in gas prices

PROFILES OF THE ISSUER, SPONSOR AND CO-OBLIGORS

OVERVIEW OF THE ISSUER – APL FUNDING SPV PLC

APL Funding SPV Plc ("APL Funding SPV" or "the Issuer") was incorporated on 30 July 2024, as a special purpose vehicle sponsored by Asiko Power Limited. The Issuer's core mandate is to raise funds for the Sponsor through the issuance of bonds, debentures or other securities. APL Funding SPV has no business operations of its own and has no affiliates or subsidiaries. The Issuer's registered office address is 224 Moshood Abiola Way, Ijora, Lagos.

APL Funding SPV has an authorized, issued and fully paid up share capital of ₦10 million composed of ten million ordinary shares at ₦1 each. Asiko Power Limited holds 9,999,999 of the shares while Asiko Energy Holdings Limited owns the remaining 1 share. In our opinion, the issuer's ownership structure is highly concentrated. The Issuer has seven directors namely: Messrs. Alexander Ogedegbe, Felix Ekundayo, Mustapha Fasinro, Abubakar Folami, Kamar Barkin, Babatunde Edun and Martin Ekundayo.

OVERVIEW OF THE CO-OBLIGORS AND SPONSOR

ASIKO POWER LIMITED- SPONSOR/CO-OBLIGOR

Asiko Power Limited ("Asiko Power", "APL" or "the Sponsor") was established in November 2008 and commenced operations in November 2010, with an initial focus on electricity generation, transmission and distribution for residential, commercial and industrial customers. However, challenges in setting profitable tariff rates and difficulties in scaling within a subsidized electricity market led the Company to shift its focus toward the sale of Liquefied Petroleum Gas (Propane). APL operates nine gas distribution depots across Nigeria, with a total storage capacity of 970MT. The Sponsor distributes its propane using a fleet of diesel and CNG-powered trucks, with plans to transition into to a full CNG fleet to enhance cost efficiency.

Despite its leaning towards propane sales, Asiko Power has continued to build capacity in the power generation sector. In 2022, the Company raised ₦1.5 billion through a bond issuance, with part of the proceeds deployed towards funding the expansion of its power business. The Sponsor has purchased additional generators with a cumulative capacity of 2,500 kilo-volt-amperes (KVA) to augment its current stock of 5,000KVA dual-fuel engines, along with tanks and other power accessories. Currently, APL is restructuring its electricity generation business into a disaggregated model under an operating lease arrangement, where it leases gas-powered engines to clients, supplies gas, and provides maintenance services for a fee. This scalable model has already attracted two corporate clients, with more in the pipeline.

GAS TERMINALLING AND DISTRIBUTION LIMITED ("GTDL")- CO-OBLIGOR

Gas Terminalling and Distribution Limited ("GTDL") commenced operations as a retail liquefied petroleum gas (LPG) distributor in October 2008, marketing its product under the Lite Gas® brand. GTDL sources its LPG supply from diverse channels including Nigeria LNG Limited, affiliated entities like Gas Terminalling Global Operations Limited and Asiko Power Limited, as well as other domestic suppliers. GTDL distributes an average of 7,000 metric tons of LPG per month to its customers. Its fleet of trucks includes tanker-trucks, bobtails & bridgers which have storage capacity ranging from 20MT – 28MT and are able to deliver to customers nationwide. GTDL operates five distribution hubs with the capability of storing between 100MT and 300MT of products each. The hubs are located in Lagos, Abuja, Kano, Ilorin and Benin. Additionally, GTDL maintains a network of dealer-owned and operated mini-gas outlets.

Gas Terminalling Storage Company Limited ("GTSL")- Co-Obligor

Gas Terminalling Storage Company Limited (GTSL) was established in November 2013 as a core component of the Asiko Group's infrastructure. GTSL is in the final stages of constructing a gas storage terminal at Ijora, in alignment with the Group's strategic vision of expanding gas distribution in Nigeria and maintaining a competitive edge within the oil and gas sector. Upon completion, the terminal will possess a storage capacity of 5,000 metric tons of LPG and 13,365 metric tons of LNG. The terminal's strategic location near the Lagos marina jetty will facilitate efficient LPG vessel discharge via a dedicated 2-kilometer pipeline. GTSL will provide essential throughput services to other entities within the Asiko Group as well as external clients.

Gas Terminalling Global Operations Limited ("GTGOL")- Co-Obligor

Gas Terminalling Global Operations Limited (GTGOL) was established on 7 April 2006, as the primary bulk distribution arm of Asiko Energy Holdings Limited. GTGOL operates a fleet of 28 company-owned and 40 leased specialized trucks to transport LPG to the Group's nationwide network of depots. Beyond members of Asiko Energy Holdings Limited, GTGOL also serves external parties including Tewa Gas, Narth Gas, Lydiben, Geosara International Ltd, Royal Adiela Ventures, Gomsaf Integrated Services Nig Ltd, Smaq-O Oil and Gas Ltd and Merciport Energy Services Limited.

The Co-Obligors are all wholly owned subsidiaries of Asiko Energy Holdings Limited ("the Group").

GUARANTOR'S PROFILE - INFRASTRUCTURE CREDIT GUARANTEE COMPANY LIMITED

Infrastructure Credit Guarantee Company Limited ("InfraCredit," or "the Guarantor") was incorporated on 20 October 2016 and commenced operations in January 2017. InfraCredit was established by the Nigeria Sovereign Investment Authority in partnership with GuarantCo Management Company Limited, to provide credit guarantees for debt instruments used to finance eligible infrastructure projects in Nigeria. These guarantees function as credit enhancements, lowering issuance costs for borrowers and attracting funding from long-term investors. This strategy not only deepens the Nigerian debt market but also helps to bridge the country's significant infrastructure gap.

The Guarantor's capital is invested in liquid assets, including treasury securities and other highly rated instruments such as corporate securities and bank placements, as approved by the Board of Directors. InfraCredit supports infrastructure projects across various sectors, including power (generation, transmission, distribution, and renewable energy), agriculture, water distribution, waste management, transportation, ICT/telecommunications, gas-to-power (gas processing and distribution), social infrastructure, and providers of inputs used in infrastructure development, among others. The Guarantor operates from its head office located at 1 Adeyemo Alakija Street, Victoria Island, Lagos.

During the 2023 Financial year, AIICO Insurance Plc became a subscriber to InfraCredit's ordinary shares, bringing the total number of shareholders to five. The other shareholders include: Nigeria Sovereign Investment Authority (NSIA), Africa Finance Corporation (AFC), InfraCo Africa Investment Limited (InfraCo Africa) and Leadway Assurance Company Limited (Leadway Assurance).

Table 1: InfraCredit's Shareholding Structure as at 31 December 2023

Equity Shareholders	Number of Shares (billion)	Percentage Shareholding
Nigerian Sovereign Investment Authority	11.2	30.4%
African Finance Corporation	11.2	29.7%
InfraCo Africa	11	29.3%
Leadway Assurance Company Limited	2.1	5.6%
AIICO Insurance Plc	1.9	5.0%
Total	37.6	100%

Source: Infracredit

TRANSACTION STRUCTURE

OVERVIEW

APL Funding SPV Plc plans to Issue up to ₦8.5 billion 10-year Senior Guaranteed Fixed Rate Bond Due 2034 ("the Bond" or "the Issue") under its ₦50 Billion Bond Issuance Programme ("the Programme"). The Bond, which is the first in the series, will be distributed through a book building process to qualified institutional investors and high-net-worth individuals. The Issue will attract an indicative fixed coupon rate of 22.75%, payable semi-annually in arrears over its ten-year tenor. The coupon will accrue from the Bond allotment date, while principal payment will be subject to a twenty-four-months moratorium. Subsequently, the principal amount will be amortized through equal semi-annual installments over the remaining tenor of the Issue. The Bond shall be noted on the FMDQ Securities Exchange Limited's Private Companies' Securities (PCS) Portal.

USE OF PROCEEDS

The net proceeds from the Bond after deducting issuance costs, will be utilized by Gas Terminalling Storage Company Limited (one of the Co-Obligors) to refinance an existing loan, which was used to part-finance the construction of a 5,000MT capacity LPG terminal, and 13,365MT capacity LNG terminal in Ijora, Lagos state. While this refinancing is expected to result in a higher interest rate than the 16.75% at which the loan is currently priced, it will extend the term from its current one-year duration to ten years. This extension will significantly reduce monthly installments, thereby improving GTSL's cash flows. In addition, the 24-month moratorium will provide ample time for the underlying projects to become operational, allowing it to generate revenue to support the subsequent repayment of the Bond obligations.

Table 1: Utilisation of Bond proceeds

S/N	Description	Amount (₦'million)	%	Time to completion
1	Refinancing of existing debt obligations	8,287.5	97.50%	Immediate
2	Fees and Costs related to the Issue	212.5	2.50%	Immediate
		8,500.0	100.00%	

Source: Series 1 Pricing Supplement

SOURCE OF REPAYMENT:

The Bond obligations will be serviced through revenues generated from the sale of liquefied petroleum gas (LPG), liquefied natural gas (LNG), and other operational cash flows of the Co-Obligors. The Co-Obligors are required to deposit into the payment account an amount equal to 100% of the next scheduled coupon and/or redemption amount within a specified timeframe prior to the next payment date. Provided that the Co-Obligors make these funds available, the Bond Trustee will ensure timely payment of each scheduled coupon and principal to the Bondholders.

BOND REPAYMENT SCHEDULE

The coupon will accrue from the allotment date and be paid semi-annually in arrears on the scheduled payment dates over the 10-year tenor of the Issue (see table 3). The first coupon payment will cover the period from Issue Date to the first Payment Date. The Series 1 Bond's Principal shall be amortized by equal debt service payments semi-annually each year, commencing 24 months after the issue date until the maturity date.

Table 2: Indicative Coupon and Principal Repayment Schedule – Series 1 Bond

Period	Amortization period	Date	Opening balance (₦)	Coupon (₦)	Principal (₦)	Total payment (₦)	Closing balance (₦)
1	0	15-Mar-2025	8,287,500,000.0	934,954,880.1	-	934,954,880.1	8,287,500,000.0
2	0	15-Sep-2025	8,287,500,000.0	950,451,369.9	-	950,451,369.9	8,287,500,000.0
3	0	15-Mar-2026	8,287,500,000.0	934,954,880.1	-	934,954,880.1	8,287,500,000.0
4	0	15-Sep-2026	8,287,500,000.0	950,451,369.9	-	950,451,369.9	8,287,500,000.0
5	1	15-Mar-2027	8,287,500,000.0	934,954,880.1	204,696,966.9	1,139,651,847.1	8,082,803,033.1
6	2	15-Sep-2027	8,082,803,033.1	926,975,712.2	227,981,246.9	1,154,956,959.2	7,854,821,786.1
7	3	15-Mar-2028	7,854,821,786.1	891,038,071.4	253,914,113.8	1,144,952,185.1	7,600,907,672.4
8	4	15-Sep-2028	7,600,907,672.4	871,709,575.8	282,796,844.2	1,154,506,420.0	7,318,110,828.2
9	5	15-Mar-2029	7,318,110,828.2	825,593,174.3	314,964,985.2	1,140,558,159.6	7,003,145,842.9
10	6	15-Sep-2029	7,003,145,842.9	803,155,301.3	350,792,252.3	1,153,947,553.6	6,652,353,590.6
11	7	15-Mar-2030	6,652,353,590.6	750,485,726.0	390,694,871.0	1,141,180,597.0	6,261,658,719.6
12	8	15-Sep-2030	6,261,658,719.6	718,117,901.4	435,136,412.6	1,153,254,314.0	5,826,522,307.0
13	9	15-Mar-2031	5,826,522,307.0	657,319,513.1	484,633,179.5	1,141,952,692.7	5,341,889,127.5
14	10	15-Sep-2031	5,341,889,127.5	612,634,188.7	539,760,203.7	1,152,394,392.4	4,802,128,923.8
15	11	15-Mar-2032	4,802,128,923.8	544,745,611.2	601,157,926.9	1,145,903,538.1	4,200,970,997.0
16	12	15-Sep-2032	4,200,970,997.0	481,788,071.1	669,539,641.0	1,151,327,712.1	3,531,431,356.0
17	13	15-Mar-2033	3,531,431,356.0	398,398,670.3	745,699,775.2	1,144,098,445.5	2,785,731,580.8
18	14	15-Sep-2033	2,785,731,580.8	319,481,435.5	830,523,124.6	1,150,004,560.2	1,955,208,456.1
19	15	15-Mar-2034	1,955,208,456.1	220,576,975.9	924,995,130.1	1,145,572,105.9	1,030,213,326.1
20	16	15-Sep-2034	1,030,213,326.1	118,149,944.7	1,030,213,326.1	1,148,363,270.8	0.0

Source: Bond Amortization Schedule

The Series 1 Bond represents a direct, unconditional, guaranteed and unsubordinated obligation of the Co-Obligors and shall at all times rank *pari passu* and rateably without preference among them. The payment obligations of the Obligors in relation to the Bond, as well as those of the Guarantor under the Deed of Guarantee, shall, except as provided by applicable law, always rank at least equally with all other unsecured, unsubordinated indebtedness and financial obligations of the Co-Obligors and the Guarantor, both present and future.

Guarantee:

The Bonds are secured by the unconditional and irrevocable guarantee of InfraCredit. This Guarantee is designed to ensure the timely payment of principal and interest to Bondholders on their due dates, as outlined in the amortization schedule, regardless of any circumstances that may hinder the Co-Obligors from meeting their obligations. If the Co-Obligors fail to fund the payment account as stipulated in the trust deed, the Bond Trustee will issue a demand notice to the Guarantor. InfraCredit will then be obligated to fund the payment account by the payment date, ensuring that Bondholders receive their payments in accordance with the terms of the Deed of Guarantee.

Early Redemption

The Issuer retains the sole discretion to redeem, in whole or in part, the Series 1 Bonds on or after the fifth Payment Date, and on each subsequent Payment Date up to and including the Maturity Date. A 30 to 60-day notice to Bondholders and the Bond Trustee is required prior to redemption. The redemption amount will consist of the outstanding principal and accrued interest up to but excluding the redemption date. Once a redemption notice is issued, it becomes irrevocable and binding on the Issuer.

DETAILS OF INDEBTEDNESS OF THE CO-OBLIGORS

As at 31 July 2024, the Co-Obligors had total obligations amounting to ₦20.3 billion, as detailed in the schedule below. The proceeds from the Series 1 Bond will be used to refinance the ₦8.5 billion bridge loan obtained by Gas Terminalling Storage Company Limited (GTSL) from Stanbic IBTC Infrastructure Fund, which was used to part-finance the construction of the gas terminal projects. The issuance of this Bond is therefore not expected to increase the overall indebtedness of the Co-Obligors. Although the cost of borrowing is projected to rise due to the anticipated higher interest rate on the Bond, GTSL will benefit from improved cash flows, owing to reduced monthly installments and a 24-month grace period on principal repayment.

Table 4: Details of Indebtedness of the Co-Obligors as at 31 July 2024

S/N	Co-Obligor	Debt Type	Interest Rate	Fixed or Floating	Tenor	Maturity Date	Outstanding Amount (₦'million)
1	Asiko Power Limited	Bond	12.25%	Fixed	7 Years	29-Apr	1,172
2	Asiko Power Limited	Commercial Paper	29%	Fixed	270 days	25-Mar	748
3	Gas Terminalling Global Operations Limited	Term Loan	31.75%	Floating	6 years	28-Aug	2,200
4	Gas Terminalling Storage Company Limited	Term Loan	10.00%	Fixed	7 years	29-Oct	3,500
5	Gas Terminalling Storage Company Limited	Bridge Finance	16.75%	Floating	1 year	24-Dec	8,500
6	Gas Terminalling Global Operations Limited	Working Capital	31.75%	Floating	1 year	Revolving	3,000
7	Gas Terminalling Global Operations Limited	Working Capital (Bank Guarantee)		Fixed	1 year	Revolving	1,200
	Total						**20,320**

Source: Bond Sponsor

CO-OBLIGORS' FINANCIAL FORECAST

To meet the payment obligations of the Issue, the Co-Obligors have irrevocably committed cash flows from their sales of liquefied petroleum gas (LPG), liquefied natural gas (LNG) and other operating income. Our assessment of the Co-Obligors' ability to meet the Series 1 Bond obligations is based on the cash flow projections provided by them, covering the period from 2024 to 2034. Key assumptions underpinning these projections are outlined in the subsequent paragraphs.

The Co-Obligors project revenue to increase at a compound annual growth rate (CAGR) of 28.4% over the next ten years. This translates to a cumulative revenue of about ₦4 trillion. This upsurge in revenue is expected to be driven by a combination of price adjustments, volume growth and sustained favorable exchange rates on dollar-denominated earnings throughout the forecast period. GTSL is anticipated to contribute 55% of this revenue, with APL accounting for 23%, GTGOL 12% and GTDL 10%.

The combined LPG volumes of the Co-Obligors is projected to increase by 5% annually between 2025 and 2033, following an initial 70% leap expected by FYE 2024 due to expected commissioning and operation of the LPG terminal currently undergoing construction. This will raise total LPG volumes from approximately 43,861 metric tons (MT) per annum in 2023 to 111,707 MT per annum by 2033, while propane volumes are projected to remain stable at around 10,498 MT annually throughout the Bond's tenor. In addition, the Co-Obligors intend to commence LNG sales in 2025, with volumes expected to average about 60,000 MT per annum. These volume estimates are underpinned by ongoing projects aimed at enhancing the Co-Obligors' capacity, including a 5,000 MT capacity LPG terminal and a 13,365 MT capacity LNG terminal in Ijora, Lagos State. The LPG terminal is slated for completion in Q4 2024, while the LNG terminal is expected to become operational in 2025.

Gas Terminalling Storage Company Limited (GTSL) will be responsible for managing the terminal currently under construction. GTSL's revenue lines will include trading margins which represent a charge to owners of gas molecules per metric ton of gas received at the terminals (62%), as well as fees earned for throughput services (38%). Trading margins are quoted in dollars but invoiced in naira at prevailing market rates, making them sensitive to both the volume of gas received at the terminals and fluctuations in exchange rate. The Co-Obligors estimate a 2% quarterly depreciation in the value of the naira against the dollar throughout forecast period.

Based on the financial forecast, direct costs are expected to grow at an average annual rate of 6%, following substantial increases of 33% in 2025 and 22% in 2026, to reflect anticipated expansion in operating scale. The combined gross profit margin for the Co-Obligors is projected to average 53% over the Bond tenor, while operating cost is estimated to increase at an average annual rate of 6% and represent only 3% of estimated revenue.

These ongoing projects are being financed through a combination of equity and debt. Asiko Energy Holdings Limited ("the Group") is actively engaging with equity and debt providers to secure additional funding to ensure the successful completion of these initiatives. On the whole, the Group plans to inject approximately ₦49 billion in equity by the end of 2024 and raise its debt stock to about ₦127 billion as at FYE 2025 (July 2024: 20.3 billion). The projected operating cash flow statement takes into cognizance the servicing of the Co-Obligors' existing exposures as well as the planned additional debts.

Agusto & Co. notes that over 50% of the projected revenue is dependent on the successful completion of the 13,365 MT capacity LNG terminal. Completion of this project is slated for 2025, contingent upon injection of additional capital of over ₦100 billion. Any delays in raising this fund will stretch project completion timelines, thus affecting actual production volumes and, by extension, revenue. For this reason, we have de-emphasized revenue from LNG in the provided financial forecast. We also recognize the inherent volatility of the global gas market, particularly in light of the escalating tensions between Ukraine and Russia, as well as the ongoing conflicts in the Middle East, all of which continue to influence gas prices. Furthermore, given the continuing volatilities in the country's foreign exchange market, we anticipate significant deviations from the forecast exchange rates, which would impact the projected revenue of the Co-Obligors.

However, in the unlikely event of a shortfall in the Co-Obligors' cash inflow, we are confident that the Guarantor possesses the necessary capacity to intervene and fulfill the Bond obligations as they become due. Consequently, we consider the risk of default on the Series 1 Bond obligations as very minimal, given the robust support from InfraCredit, which continues to guarantee all payment obligations of the Issuer/Co-Obligor to the Series 1 Bondholders.

Table 5: Projected Operating Cash Flow Statement

	2024 (Q4)	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034 (Q1 - Q3)	Total
Revenue (₦'mns)	26,702	123,599	130,892	138,666	146,956	155,798	165,234	175,303	186,054	197,535	156,859	1,603,597
Direct Cost (₦'mns)	(23,413)	(69,127)	(73,203)	(77,563)	(82,231)	(87,231)	(92,587)	(98,328)	(104,484)	(111,088)	(88,597)	(907,852)
Operating Cost (₦'mns)	(324)	(7,343)	(8,861)	(9,134)	(9,485)	(9,922)	(10,470)	(11,052)	(11,537)	(12,142)	(9,512)	(99,782)
EBITDA (₦'mns)	**2,965**	**47,129**	**48,828**	**51,968**	**55,240**	**58,646**	**62,177**	**65,923**	**70,033**	**74,304**	**58,750**	**595,963**
Indicative Interest Repayment – Total Debt Portfolio (₦'mns)	(1,676)	(13,452)	(27,278)	(25,051)	(21,268)	(16,837)	(11,719)	(5,573)	(2,600)	(1,799)	(772)	(128,025)
Principal Obligation – Total Debt Portfolio (₦'mns)	(2,152)	(6,301)	(17,162)	(20,333)	(23,568)	(27,292)	(24,368)	(1,418)	(1,818)	(2,332)	-	(126,744)
Total Debt Service (₦'mns)	(3,828)	(19,753)	(44,440)	(45,385)	(44,836)	(44,130)	(36,087)	(6,991)	(4,418)	(4,131)	(772)	(254,771)
Interest Coverage (Times)	**0**	**4**	**2**	**2**	**3**	**3**	**5**	**12**	**27**	**41**	**76**	**5**
Debt Service Coverage (Times)												**2**

Source: Financial Forecast provided by the Co-Obligors

OUTLOOK

Nigeria has great, yet unrealized potential in the gas market, being the holder of the ninth-largest natural gas reserve globally, totalling 209.5 trillion cubic feet. To harness this potential, the Nigerian government launched the "Decade of Gas" Initiative in March 2021, designed to enhance gas utilization and leverage its abundant reserves to drive economic growth and development. However, infrastructure deficiencies and security challenges continue to impede progress toward these objectives. Despite these challenges, Nigeria remains committed to revitalizing the gas sector. In February 2024, the Nigerian President issued an executive order granting tax incentives for non-associated greenfield gas projects in onshore and shallow waters. Furthermore, some pro-gas policies including the removal of VAT and duties on feed gas and equipment related to Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG) production, signal a hospitable investment climate for the gas market. On the demand side, factors such as a growing population, increased adoption of autogas for transportation following the removal of subsidies on premium motor spirit, and the rising use of gas for electricity generation to address persistent grid supply gaps continue to drive products demand.

The Bond Co-Obligors are poised to benefit from this positive investment climate given ongoing projects targeted at expanding their footprints in the broader gas market. The construction of a 13,365 MT capacity LNG terminal and a 5,000MT capacity LPG terminal are anticipated to strengthen their position within the Nigerian gas market. To support these critical infrastructure projects, APL Funding SPV Plc, plans to issue up to ₦8.5 billion 10-Year Senior Guaranteed Fixed Rate Bond Due 2034, under its ₦50 Billion Bond Issuance Programme, to refinance the bridge loan obtained from Stanbic IBTC Infrastructure Fund to partially fund these projects. This Bond, which is the first in the series, is expected to attract a fixed coupon rate, payable semi-annually over ten years, while the Bond principal will be amortized through equal semi-annual instalments over its tenor, upon the expiration of a twenty-four months moratorium.

Based on the financial forecasts, the Co-Obligors anticipate combined earnings before interest depreciation and amortization (EBITDA) of ₦613 billion over the ten-year tenor of the Bond. This is anticipated to cover estimated coupon payments 5x, and total debt service obligations 2x, which we consider to be adequate. However, we note that these forecasts are sensitive to changes in the underlying assumptions, particular the global gas prices and exchange rates, which remain very volatile, and could significantly moderate the projected earnings. Nonetheless, we consider the continuing guarantee from InfraCredit, which ensures full and uninterrupted payment of coupon and redemption of the Series 1 Bond, as a significant enhancement to the Bond's credit quality.

Based on the strength of the credit guarantee by InfraCredit, we hereby attach a **stable** outlook to APL Funding SPV Plc's up to ₦8.5 billion 10-Year Senior Guaranteed Fixed Rate Bond Due 2034.

***This bond rating report should be read in conjunction with the 2024 corporate rating report of* Infrastructure Credit Guarantee Company Limited (the Guarantor)**

GUARANTOR'S FINANCIAL SUMMARY

Infrastructure Credit Guarantee Company Limited

STATEMENT OF FINANCIAL POSITION AS AT	31 December 2021 ₦'millions		31 December 2022 ₦'millions		31 December 2023 ₦'millions	
ASSETS						
1 Cash & Equivalents	1,760	1.2%	2,961	1.4%	2,524	0.7%
2 Government Securities	58,936	39.5%	67,570	32.7%	129,985	35.4%
3 Placements with Financial Institutions			3,358	32.7%	5,178	35.4%
4 Other Debt Securities	7,806		4,727	1.6%	27,297	1.4%
5 Quoted/Equity Investments (Net)						
6 **CASH & MARKETABLE SECURITIES**	**68,502**	**40.7%**	**78,617**	**35.8%**	**164,984**	**37.5%**
7 Net Guarantee Fees Receivable	4,559	3.1%	6,521	3.2%	8,675	2.4%
8 Other Assets	611	0.4%	807	0.4%	1,236	0.3%
9 Fixed Assets and Intangibles	445	0.3%	460	0.2%	540	0.1%
10 **TOTAL ASSETS**	**74,117**	**49.7%**	**86,405**	**41.9%**	**175,434**	**47.8%**
11 **TOTAL COMMITMENTS**	74,946	50.3%	120,003	58.1%	191,840	52.2%
12 **TOTAL ASSETS & COMMITMENTS**	**149,063**	100.0%	**206,408**	100.0%	**367,274**	100.0%
CAPITAL & LIABILITIES						
13 TIER 1 CAPITAL (CORE CAPITAL)	**37,503**	**25.1%**	**43,845**	**21.2%**	**92,940**	**25.3%**
14 TIER 2 CAPITAL	30,333		32,987		68,107	
15 TOTAL OTHER LIABILITIES	6,579	4.4%	9,574	4.6%	14,387	3.9%
16 **TOTAL CAPITAL & LIABILITIES**	74,415	29.5%	86,405	25.9%	175,434	29.2%
17 TOTAL COMMITMENTS	74,946	50.3%	120,003	58.1%	191,840	52.2%
18 **TOTAL CAPITAL, LIABILITIES & COMMITMENTS**	**149,362**	100.2%	**206,408**	100.0%	**367,274**	100.0%

Infrastructure Credit Guarantee Company Limited

INCOME STATEMENT FOR THE YEAR ENDED	31 December 2021 ₦'millions		31 December 2022 ₦'millions		31 December 2023 ₦'millions	
19 Guarantee Fee Income	1,251	23%	1,950	21%	3,514	7%
20 Guarantee Fee Expense	(224)	-4%	(298)	-3%	(642)	-1%
21 Impairment Charge	-		-		-	
22 **NET GUARANTEE FEE**	**1,027**	**19%**	**1,652**	**18%**	**2,872**	**6%**
23 Investment Income	2,658	48%	3,155	35%	4,891	10%
24 Other Income/Expenses	1,597	29%	4,024	44%	42,748	84%
25 **OPERATING INCOME**	**5,281**		**8,831**		**50,511**	
26 Personnel Expenses	(961)	(17%)	(1,480)	(16%)	(2,059)	(4%)
27 Depreciation Expenses	(109)	(2%)	(108)	(1%)	(133)	(0%)
28 Other Operating Expenses	(744)	(14%)	(965)	(11%)	(1,272)	(2%)
29 **TOTAL OPERATING EXPENSES**	(1,814)	(33%)	(2,552)	(28%)	(3,464)	(7%)
30 PROFIT (LOSS) BEFORE TAXATION	**3,467**	**63%**	**6,279**	**69%**	**47,047**	**92%**
31 Tax (Expense) Benefit	**(25)**		**64,135**		**(668)**	
32 PROFIT (LOSS) AFTER TAXATION	**3,443**	63%	**6,343**	69%	**46,379**	92%
33 **NET REVENUE**	**5,281**		**8,831**		**50,511**	
34 NON-OPERATING INCOME (EXPENSE) - NET						
ADDITIONAL INFORMATION						
35 Type of institution	**DGGI**		**DGGI**		**DGGI**	
36 Auditors	KPMG		KPMG		KPMG	
37 Opinion	Clean		Clean		Clean	
36 Number of offices	1		1		1	
37 Contingent Capital (₦'millions)	10,875		19,075		22,475	
38 Callable Capital (₦'millions)	-		-		-	
39 Realisable capital (₦'millions)	48,378		62,920		115,415	

RATING DEFINITIONS

Aaa	Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner.
Aa	High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.
A	Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.
Bbb	Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner.
Bb	Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
B	Weak quality with high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
C	Very weak capacity to pay returns and principal. Debt instrument with very high credit risk.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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